



# CORE VALUES AND MANAGING FOR RESULTS GOALS

## CORE VALUES:

Core values are traits that guide our daily decisions.

### INTEGRITY

Our actions are undertaken with integrity, honesty, and fairness, and reflect the highest ethical standards as we interact with our customers and co-workers. We are committed to maintaining the highest level of trustworthiness in our decisions and interactions.

### RESPECT

We respect ourselves, our colleagues and those we serve. We are considerate of the need to balance home and work obligations. We strive to maintain the highest degree of dignity and consideration, embracing cultural and ethnic diversity.

### INCLUSION

Believing in equality, we value the contributions of all members of this organization. We engage in open and respectful communication. We leverage multiple perspectives, experiences and capabilities to achieve our objectives.

### STEWARDSHIP

We exercise discipline, dedication and commitment and accept accountability as stewards of the community's resources.

### EXCELLENCE

We strive for excellence in everything we do, including service to our customers and the performance of our duties.



## TRANSFORMING WICHITA

Transforming Wichita is the journey by which the City will be fundamentally changing the way we deliver services to the citizens of Wichita. Our vision is for Wichita to be a premiere Midwestern city where people want to visit, live, and play and for the city government to be a model of world class city governance where citizens receive the best possible value for their tax dollars and have confidence in their city government.

While the City is doing a lot of things right, we cannot be complacent. We must continuously challenge every aspect of our services and position ourselves for the future.

We will accomplish this by transforming City government into a high performance organization that:

- Delivers outstanding results that matter to our customers and is a trustworthy steward of the funds which citizens have entrusted us.
- Utilizes teamwork and best practices, supported by modernized information systems that facilitate collaboration with our partners.
- Measures and reports on our work, using processes that show progress and results in how we carry out programs and activities.
- Engages in work that produces results that matter for our customers.

## TRANSFORMING WICHITA:

### MANAGING FOR RESULTS



The following goals were adopted by the City Council on March 7, 2006, and represent the efforts of the Managing for Results process, as outlined in the Budget Process Section.

The **SAFE & SECURE COMMUNITY** goal area is focused on increasing safety from crime, increasing medical emergency safety, reducing the effects of fire, and ensuring citizens feeling safe and secure.

The **ECONOMIC VITALITY & AFFORDABLE LIVING** goal area seeks to address the economic condition of the City, which entails successful businesses, a large inventory of jobs, comparable wages, and access to affordable living for all citizens.

The **EFFICIENT INFRASTRUCTURE** goal focuses on the tangible assets of the City, including but not limited to: air, water, buildings, streets, bridges, highways, railroads, runways, parking lots, pedestrian systems, bikeways, open-spaces, transit systems, and utilities.

The **QUALITY OF LIFE** goal focuses on a community that has a vibrant recreation and arts focus that enhances the quality of life for area residents.

The **CORE AREA & NEIGHBORHOODS** goal focuses on supporting clean, safe, connected and growing neighborhoods and supporting downtown as a place of commerce, recreation, and living.

**INTERNAL PERSPECTIVE** focuses on ensuring a government that is effective, efficient, fiscally responsible, accountable, collaborative, responsive, customer friendly and accessible while increasing productivity. Services provided in this area are generally the administrative cost of managing the organization, so that the Goal area services can be provided.



## MANAGING FOR RESULTS BUDGET GUIDE

This matrix provides a guide to each department's relationship to the City's goal areas. Departmental services can be found in goal areas marked with a ✓. Though it is hard to assign a service to just one goal, as most work the City does affects many goals, services in this budget are listed by the goal that best captures their mission.

For example, there are Public Works services located in sections relating to three of the Managing for Results goals; the Snow and Ice service falls under Goal 1 (Safe and Secure Community), the Street Maintenance service falls under Goal 3 (Efficient Infrastructure), and the Street Lighting service falls under Goal 5 (Core Area and Neighborhoods).

For more information about Managing for Results, visit the "Budget Process" section.

Departments	Goal 1	Goal 2	Goal 3	Goal 4	Goal 5	
	Safe & Secure Community	Economic Vitality & Affordable Living	Efficient Infrastructure	Quality of Life	Core Area & Neighborhoods	Internal Perspective
City Council						✓
City Manager		✓			✓	✓
Airport		✓				
Art Museum				✓		
Central Inspection	✓				✓	✓
Environmental Services	✓		✓		✓	
Finance		✓				✓
Fire	✓					
Housing and Community Services	✓	✓				
Human Resources						✓
IT/IS						✓
Law	✓					✓
Library				✓		
Municipal Court	✓					
Park and Recreation				✓	✓	
Planning	✓	✓	✓		✓	✓
Police	✓					
Public Works	✓		✓		✓	
Transit			✓			
Water and Sewer			✓			



## WICHITA: AN OVERVIEW

### LOCATION

Wichita, the largest city in Kansas, population 347,996<sup>1</sup> is the county seat of Sedgwick County. Major highways, including the Kansas Turnpike and Interstate I-35, link the city with a large trade area that encompasses a population of more than 1 million<sup>2</sup> people within a 100-mile radius. The nearest large cities are Denver to the west, Kansas City to the northeast and Oklahoma City and Tulsa to the south and southeast.

### HISTORICAL BACKGROUND

Wichita became a town in 1868, was incorporated in 1870 and has been a city of the first class since 1886. The original stimulus to the city's economic development was the extension of the Santa Fe Railway into Wichita in 1872. The city's early growth paralleled the expanding agricultural productivity of the Central Plains States and by 1900 the city was an important regional center for the processing of agricultural products and the distribution of farm equipment. In 1914, the discovery of oil broadened the economic base, drawing to the city numerous services, distributive enterprises and metalworking industries. From the earliest days of the aircraft industry, Wichita has been a leading producer of general aviation and commercial aircraft. McConnell Air Force Base was activated in 1951 and has remained an important factor in the community.

### GOVERNMENT

In 1917, Wichita became one of the first municipalities in the United States to adopt the Commission-Manager form of government. Effective April 14, 1987, the title "City Commissioner" was changed to "City Council Member" and instead of being elected at-large, five council members were nominated by district and elected at-large. In November 1988, Wichita voters approved a referendum to elect a five-member City Council by pure district elections and a full-time Mayor by city-at-large elections. On February 10, 1989, Charter Ordinance 115 was adopted and provided for the five council member seats to be increased to six by subdividing the city into six districts based on the 1990 census. The six Council members and the Mayor serve four-year terms with the Council members' terms being overlapping. The City Council and Mayor conduct all legislative functions for the city of Wichita and establish general policies, which are executed by the City Manager.

### 2005 Population Estimates

Wichita city <sup>1</sup>	347,996
Wichita MSA <sup>1</sup>	587,939
Within 100-mile radius <sup>2</sup>	1,003,328

Wichita's population growth has been steady for the past two decades. The majority of recent growth in the MSA has occurred along the far west/northwest and east/northeast peripheries of the city, and into the unincorporated portions of the county.

### Population Trends

Year	Wichita City (000's)*	Percent Change	SG Co. (000's)	Percent Change
1950	168.3		222.3	
1960	254.7	51.3%	343.2	54.4%
1970	276.6	8.6%	350.7	2.2%
1980	279.3	1.0%	367.1	4.7%
1990	304.0	8.8%	403.7	10.0%
2000	344.3	13.3%	452.9	12.2%

<sup>3</sup>Source: U.S. Bureau of the Census, *Population of the 100 Largest Cities and Other Urban Places in the United States: 1790 to 1990*, Working Population Paper No. 27. Census 2000

As of June 30, 2006, the city's total land area was 157.979 square miles.<sup>4</sup> The majority of annexation over the past couple of years has been in response to a need for improved utility service in the annexed areas, especially water service.

### GEOGRAPHIC DISTRIBUTION

The metropolitan statistical area (MSA) includes Butler, Harvey, Sedgwick, and Sumner counties. Sedgwick County represents the largest portion of the area's population with an estimated 467,192 residents in 2005.

<sup>1</sup>Source: Claritas 2005 population estimate. The Wichita MSA is comprised of Butler, Harvey, Sedgwick and Sumner counties.

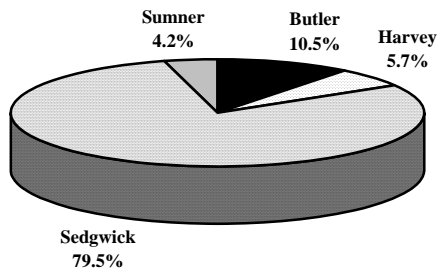
<sup>2</sup>Source: Claritas 2005 population estimates and mapping. Population represents only the Kansas portion of the 100-mile radius, not the Oklahoma portion.

<sup>3</sup> Note: This report on **Population Characteristics** was prepared by the Center for Economic Development and Business Research (CEDBR) at the request of the Department of Finance specifically for inclusion and use in the 2006-2011 Financial Plan.

<sup>4</sup> Source: Metropolitan Area Planning Department.



## Population Distribution, 2005 Wichita MSA



The city's population density has decreased by 51 percent in the past four decades. Today there are approximately 2,246 persons per square mile in Wichita compared to 4,625 per square mile in 1960. The trend of perimeter growth and the associated increase in demand for local government services is expected to continue for Wichita.

### DIVERSITY

The racial and ethnic composition of Wichita's population is comparable to that of the nation. Current trends indicate the fastest growth rate to be among Asian/Pacific Islanders and persons of Hispanic origin.

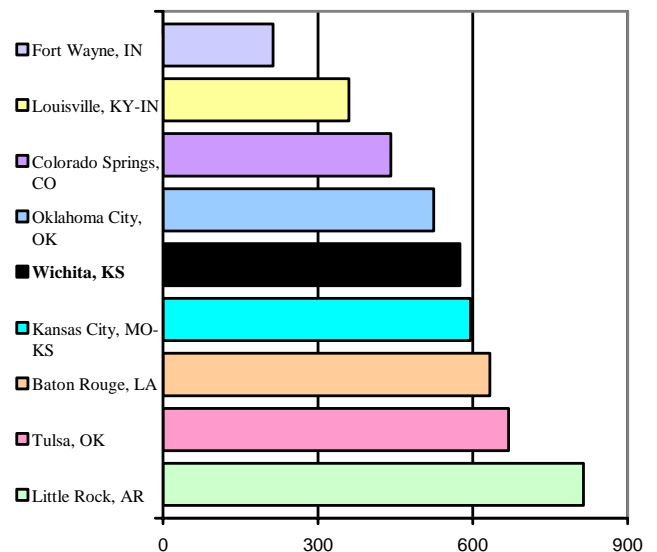
Population by Race/Ethnic Origin, 2005 (% of total)		
	U.S.	Wichita City
Hispanic Origin*	14.2%	11.6%
Not Hispanic		
White	73.6%	72.6%
Black/African Am.	12.4%	11.8%
American Indian	0.9%	1.1%
Asian	4.1%	4.6%
Other**	9.0%	9.9%
*May be of any race, consequently percentages will add to more than 100 percent.		
**Includes other races and persons identifying themselves as multi-racial.		
Source: Claritas 2005 population estimates.		

### A SAFE AND SECURE COMMUNITY

National FBI statistics for 2004 show Wichita's violent crime rate to be lower than many near-by cities of comparable size, including Little Rock and Tulsa. The Wichita metropolitan area's violent crime rate in 2004 was 575 offenses per 100,000 population.

In 2005, The Wichita Police Department saw the BTK serial killer case resolved after more than 30 years, bringing national attention to the department. In its continuing efforts to reduce crime, the department implemented the Comprehensive Gang Plan, obtained a grant for Impaired Driver Deterrence, and received a third canine unit thanks to the Milk-bone Dog company and Dillons stores along with other local business and citizen donations. The Computer Crimes Unit started a High Technology Crime Investigator's Association chapter, which provides training on high tech crime areas such as financial crime and Internet fraud. In 2005, major crimes in Wichita were down 2 percent and major crime clearance rates were above the national FBI average for comparable sized cities.

## 2004 Violent Crime Rates Per 100,000 Population\*



\*Includes murder, rape, robbery and aggravated assault. Source: FBI "Crime in the United States." Compiled by the Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University.

### EFFICIENT INFRASTRUCTURE

#### TRANSPORTATION

Wichita Mid-Continent Airport, the largest airport in Kansas, is a combination commercial air carrier and general aviation complex, providing accommodations for all aircraft. Passenger service is offered through the following airlines: AirTran Airways, Allegiant Air, US Airways/America West (operated by Mesa), American (operated by American, American Eagle, and Chautauqua), Continental Express (operated by ExpressJet), Delta (operated by Atlantic Southeast), Northwest (operated by Pinnacle), United (operated by SkyWest d/b/a United Express, and United). Cargo service is provided by four major carriers, DHL, Federal Express, UPS Supply Chain Solutions, and UPS.



## CITY PROFILE

### Wichita Mid-Continent Airport Activity Air Passengers

Year	Inbound	Outbound
1998	666,442	666,506
1999	626,951	621,378
2000	617,634	609,449
2001	565,498	563,883
2002	666,437	670,833
2003	712,020	717,741
2004	749,333	749,416
2005	744,227	742,363

Source: Wichita Airport Authority. Compiled by Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University.

Air passengers at Mid-Continent numbered about 1.5 million in 2005 (inbound and outbound). Airfreight shipments totaled 77.5 million pounds in 2005 (inbound and outbound).

### Wichita Mid-Continent Airport Activity Air Freight Shipments (pounds)

Year	Inbound	Outbound
1998	37,040,000	36,252,000
1999	27,874,000	26,110,000
2000	28,884,000	22,032,000
2001	26,368,000	23,468,000
2002	35,804,000	33,684,000
2003	34,784,000	32,540,000
2004	40,134,000	34,518,000
2005	41,978,000	35,524,000

Source: Wichita Airport Authority. Compiled by Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University.

Additionally, Wichita's efficient surface transportation network of streets and highways results in short commute times for residents. In fact, of the cities ranked by the US Census, Wichita's average commute time, 16.9 minutes, is the second shortest.<sup>5</sup> This is dramatically shorter than the United States average, 24.7 minutes. Based on a five-day workweek, that is a savings of over 31 hours annually.<sup>6</sup>

<sup>5</sup> Source: US Census Bureau, 2004 American Community Survey.

<sup>6</sup> Note: Based on a five-day workweek, 48 weeks a year.

## QUALITY OF LIFE

### CULTURE AND LEISURE

Recreational opportunities abound in Wichita. The city's compact size allows minimal travel time (average 30 minutes) to outlying areas with open prairie and lakes. Inside the City there are 117 municipal parks, covering more than 4,300 acres, including the downtown Skatepark that opened in 2005.<sup>7</sup> At least 160,000 trees are planted in Wichita's public grounds. Cultural activities include museums such as the Wichita Art Museum, Exploration Place, and the Mid-America All-Indian Center. Additionally, Wichita's cultural activities include the Wichita Music Theater, Wichita Symphony, Ballet Wichita, and City Arts as well as Botanica and the Sedgwick County Zoological Park.

Special ethnic, sports, and holiday events take place year-round, culminating in the area-wide nine-day River Festival in May. Beginning as a city-financed centennial celebration in 1970, the River Festival has grown steadily. In 1996, it was named one of the top 100 tourist attractions in North America. 370,00 attendees visited the River Festival in 2006, and the annual River Run is the largest road race in Kansas. The total economic impact of the event in 2006 was estimated to be about \$19 million.<sup>8</sup>

Minor league baseball, professional hockey and indoor football are examples of other major attractions in the Wichita area. The twin-sheet ice skating arena, Wichita Ice Center, is available for additional sporting events. Wichita has five City-owned golf courses, four other golf courses for public play and six membership-only private courses.

### EDUCATION

Wichitans place great importance on education. In 2000, 84 percent of Wichita's citizens aged 25 years and older had at least a high school diploma, compared to 80 percent in the nation overall.

The City of Wichita is served by eight unified school districts. The Wichita Public Schools (USD 259) is the largest in the city. Nearly 49,000 students were enrolled in fall 2005.

In addition to the public school districts, there are dozens of private and parochial schools serving preschool through high school students, as well as those needing special education. Fifteen colleges and universities in the local area serve Wichita, including Wichita State University, University of Kansas-School of Medicine, Friends University, Newman University, and the Wichita Area Technical College.

<sup>7</sup> Source: City of Wichita Park and Recreation Administration.

<sup>8</sup> Source: Wichita Festivals, Inc.





## CITY PROFILE

### HEALTH CARE

Wichita is a first-class regional medical center with sixteen acute care and freestanding specialty hospitals providing the community with more than 3,000 licensed beds. In addition to these major treatment facilities, there are approximately 50 nursing homes and assisted living facilities. Wichita is also home to the Center for Improvement of Human Functioning, an international bio-medical research and educational organization specializing in nutritional medicine and preventive care.

### AFFORDABLE LIVING

Even with all of these amenities, Wichita still maintains a moderate cost-of-living rate of 93.9, a little below average of 100 among 298 urban areas in the United States.<sup>9</sup> In 2005, the median sales price of existing single-family homes in the Wichita MSA was \$108,000 compared to the national median price of \$219,000, and the median price in the Midwest, which was \$168,300.<sup>10</sup> according to the National Association of Realtors. As of third quarter 2005, the average sale price of a newly built single-family home in the Wichita metro area was \$256,655, substantially below the national average price of \$289,484.<sup>11</sup>

### ECONOMIC VITALITY

#### DOWNTOWN

Wichita offers an excellent business environment, with incentives that include property tax abatements (up to 10 years and 100%), industrial revenue bonds (IRBs), Tax Increment Financing, job training funds and venture capital.

Downtown Wichita serves as the region's commercial, entertainment, artistic, cultural and government center. The center city has 3.9 million square feet of office space, or nearly 50 percent of all office space in Sedgwick County.

Wichita is the leading convention and tourism center in Kansas, and Century II is the convention headquarters downtown. In 2004, the citizens of Sedgwick County approved a one-cent sales tax increase to fund the construction of a new downtown regional events center to replace the Kansas Coliseum, located north of the City. The City of Wichita is supporting the project by creating a redevelopment plan for the neighborhood around the new arena. Area stakeholders are working with consultants to create the plan and anticipate completing their work by Fall 2006.

Downtown Wichita experienced a record year in 2005. The area attracted over \$92 million of financial investment during the year. There are currently over \$480 million in renovation and construction projects underway, and large projects include the Courtyard by Marriott Hotel in Old Town, the River Corridor

Improvement project, the Caldwell Murdock Building renovation, Fidelity Bank expansion, the Railroad Improvement Corridor project and the Wichita WaterWalk.

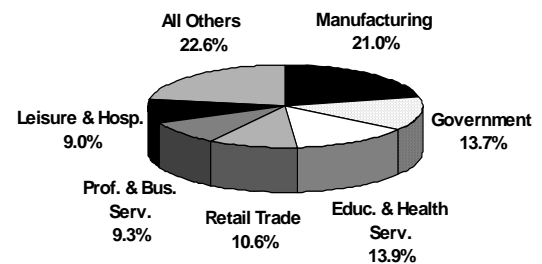
Residential growth is also continuing Downtown. In 2005, the center city added 143 residential units. This includes 74 apartments and 69 condominiums. More residential projects have also been announced, including 100 new condominiums at the former Exchange Place building. Other notable projects in the core area include the Skatepark and Delano neighborhood streetscape improvements.

### EMPLOYMENT

Wichita's employment includes a broad mix of business types, with a sizable base of relatively high paying manufacturing jobs. A list of Wichita's major private employers includes Cessna Aircraft Co., Spirit AeroSystems Inc., Raytheon Aircraft Co., Via Christi Regional Medical Center, Boeing IDS Wichita, Bombardier Aerospace Learjet, Koch Industries Inc., Wesley Medical Center, York International, Wichita Clinic PA, Cargill Meat Solutions, and The Coleman Co.

However, any listing of the area's largest private employers cannot reveal the large number of small and mid-sized companies providing a wide variety of goods and services to markets around the globe. According to the 2003 *County Business Patterns* there are approximately 11,700 business

### Wage & Salary Employment, 2005 Wichita MSA



establishments in Sedgwick County with fewer than 100 employees.

Total wage and salary employment in the Wichita metro area increased 1 percent for a net gain of 2,800 jobs in 2005. During the past decade, total wage and salary employment grew by 10.1 percent, or an average of 1 percent annually. During the past ten years the Wichita metro area added 26,200 net new jobs.

Education and health care services added the most net new jobs in the past decade (8,000), followed by the government

<sup>9</sup> Source: ACCRA 3rd Quarter 2005.

<sup>10</sup> Source: National Association of Realtors, Median Sales Price of Existing Single-Family Homes for Metropolitan Areas, May 2006.

<sup>11</sup> Source: ACCRA 3rd Quarter 2005.



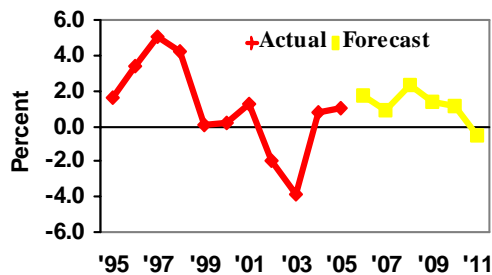
## CITY PROFILE

sector (4,900); other services sector (4,400); professional and business services sector (2,700); trade, transportation and utilities (2,200); natural resources and construction sector (1,500) and the leisure and hospitality sector (1,100).

As of year-end 2005, manufacturing was the largest employment sector (21 percent), followed by the education & health services sector (13.9 percent), the government sector (13.7 percent) and the retail trade sector (10.6 percent).

### PERSONAL INCOME

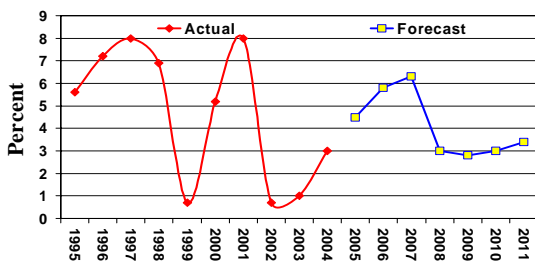
#### Total Employment Growth Rate Wichita MSA



Source: Ks. Dept. Of Human Resources. Compilation and forecast by Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University.

In 2004 (latest data available as of this printing) Wichita had a total personal income (TPI) of \$18,555,888. This TPI ranked 79th in the United States. In 1994 the TPI of Wichita was \$11,507,845 and ranked 79th in the United States. The 2004 TPI reflected an increase of 5.7 percent from 2003. The 2003-2004 national change was 6.0 percent. The 1994-2004 average annual growth rate of TPI was 4.9 percent. The average annual growth rate for the nation was 5.2 percent.

#### Total Personal Income Wichita MSA



In 2004 Wichita had a per capita personal income (PCPI) of \$31,781. This PCPI ranked 109th in the United States and was

96 percent of the national average, \$33,050. The 2004 PCPI reflected an increase of 5.3 percent from 2003. The 2003-2004 national change was 5.0 percent. In 1994 the PCPI of Wichita was \$21,319 and ranked 121st in the United States. The 1994-2004 average annual growth rate of PCPI was 4.1 percent. The average annual growth rate for the nation was 4.1 percent.

From 2006 through 2011, total personal income is expected to grow at an average annual rate of 4 percent. If inflation remains in the range of 3 percent, growth of real, inflation-adjusted personal income would average around 1 percent annually for the period 2006-2011.

Personal income is expected to increase a healthy 5.8 percent in 2006 as a result of the rebound in aviation manufacturing.

Source: U.S. Dept. of Commerce, BEA. Compilation and forecast by Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University.

Wichita MSA Wage and Salary Employment Forecast			
	Employment Rate.	Level Change	Percent Change
2002	292,469	(6,075)	-2.0%
2003	280,963	(11,505)	-3.9%
2004	283,099	2,135	0.8%
2005	285,946	2,847	1.0%
2006 Forecast	290,854	4,908	1.7%
2007 Forecast	293,503	2,650	0.9%
2008 Forecast	300,322	6,819	2.3%
2009 Forecast	304,391	4,069	1.4%
2010 Forecast	307,863	3,472	1.1%
2011 Forecast	306,476	(1,387)	-0.5%

Source: Data for 2002-2005 are from the Kansas Department of Labor, Labor Market Information Services. Forecasts for 2006-2011 were produced by the Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University.

Wichita MSA Personal Income Forecast			
	Nominal Income (\$ billion)	Level Change (\$ million)	Percent Change
2002	\$17.3	\$124.1	0.7%
2003	\$17.5	\$178.5	1.0%
2004	\$18.0	\$529.8	3.0%
2005	\$18.8	\$810.8	4.5%
2006 Forecast	\$19.9	\$1,099.3	5.8%
2007 Forecast	\$21.2	\$1,249.2	6.3%
2008 Forecast	\$21.8	\$628.8	3.0%
2009 Forecast	\$22.4	\$602.6	2.8%
2010 Forecast	\$23.1	\$669.8	3.0%
2011 Forecast	\$23.9	\$787.1	3.4%

Source: Data for 2002-2004 are from the Bureau of Economic Analysis. Estimates for 2006-2011 were produced by the Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University.



### ECONOMIC CLIMATE

Wichita's economy demonstrated healthy growth in first quarter 2006. But with local corporate hiring announcements sending mixed signals and the slowing national economy, the CEDBR lowered its employment forecast for 2006 from 2 percent to 1.7 percent, based primarily on the impact of higher energy prices and the slowing national economy. The original 2006 forecast called for a net gain of 5,575 jobs, whereas the revised forecast calls for a net gain of 4,900 jobs. This represents a reduction in anticipated employment gains of 675 jobs. Nearly all industry sectors will add jobs in 2006 with employment growth led by gains in the health care, government and manufacturing sectors. Despite the expected slowdown in the rate of growth the economy is still doing well. The best evidence to date that the recession is over in Wichita is demonstrated by the 24 months of year-over-year employment growth for a net gain of 9,100 jobs, an increase of 3.3 percent.

### ECONOMIC INDEXES

The last two months of 2005, the Wichita State University current conditions index dropped slightly, yet when comparing the 12 months ending December 2004 to the 12 months ending December 2005, there was a 2.9 percent increase. The only index indicator showing double-digit change either up or down from year to year was the number of home sales, which increased 11 percent from 2004 to 2005.

The WSU leading economic indicators index reached an all-time high of 117.9 in December 2005. The 2005 annual average index was 3.3 percent higher than that for 2004. The indicator showing the largest decline was the price of wheat futures, which decreased 11.7 percent. The indicator with the greatest increase from year to year was the value of new aircraft orders, with a 54.6 percent increase. Since the leading index provides a glimpse of the economy six months into the future, we can expect continued strengthening of the economy through 2006.

The average WSU Consumer Expectations Index dropped 7.7 percentage points from 2004 to 2005. With an average below 50 (42.6) for 2005, consumers are taking a cautious stance toward the economy, yet the majority of consumers surveyed believe unemployment will decrease or remain the same over the next six months.

### RETAIL TRADE AND SALES

In absolute dollars, Wichita's taxable retail sales have regained their pre-recession levels. However, taking into account the impact of inflation, the true value of those sales is still 12 percent below the 1998 peak. As interest rates and prices continue to rise throughout the remainder of the year, retail sales are expected to increase by 3.3 percent in 2006. With the expected rate of inflation forecasted to be in the range of 3.5 to 4 percent, retail sales adjusted for inflation are not expected to rebound in 2006.

Wichita's total personal income rose 4.5 percent in 2005. In 2006, it should increase nearly 6 percent, led by growth in wage and salary income. This reflects the significant employment growth expected in the high-paying aviation industry. Increasing wage and salary income will boost household spending power.

Wichita MSA Taxable Retail Sales			
	Nominal Sales (\$ million)	Level Change (\$ million)	Percent Change
2002	\$7,117	\$135	1.9%
2003	\$7,044	(\$73)	-1.0%
2004	\$7,285	\$241	3.4%
2005	\$7,496	\$212	2.9%
2006 Forecast	\$7,746	\$250	3.3%
2007 Forecast	\$8,038	\$292	3.8%
2008 Forecast	\$8,225	\$187	2.3%
2009 Forecast	\$8,353	\$128	1.6%
2010 Forecast	\$8,461	\$109	1.3%
2011 Forecast	\$8,576	\$115	1.4%

*Data Source: Data for 2002-2005 are from the Kansas Department of Revenue. Estimates and forecasts for 2006-2011 were produced by the Center for Economic Development and Business Research, W. Frank Barton School of Business, Wichita State University.*

On the other hand, there are some reasons we are expecting weak sales in 2006. Sales growth will be limited by several major constraints. It's no surprise that chief among these are high energy prices. Nationally, sales at gasoline stations are up almost 15 percent compared to a year ago, but this is clearly coming at the expense of other retailers. In other words, consumers only have so much money to spend. If they have to spend more at the gas station they have less to spend elsewhere. Consumer's levels of debt are also high, and the cost of servicing that debt is likely to increase as interest rates rise. This is particularly true for consumers holding adjustable rate mortgages or credit cards.

Retail sales are projected to increase 3.3 percent in 2006 and then increase at an average annual rate of 2.1 percent during 2007-2010.

Given weak retail sales in recent years it is not surprising that employment in the retail sector has been declining as well. The retail trade sector has shed nearly 1,200 jobs (a 3.8 percent decline) since it last peaked in 1998. Projections for 2006 indicate that retail trade employment should increase, adding about 100 jobs.

### MANUFACTURING

Manufacturing accounted for 21 percent of all wage and salary jobs in the Wichita MSA as of December 2005. Payroll earnings for the industry totaled \$3.051 billion in 2004. The average earnings per job in 2004 were \$52,259.





The major manufacturing stories in 2005 were the sale of Boeing Wichita's commercial aircraft operations to Onex Corp. and the start of callbacks in the general aviation manufacturing sector. In first quarter 2006 the major manufacturing stories were the continued job growth in general aviation, Spirit AeroSystems' announcements of its first two non-Boeing customers and the 900 pending layoffs at Boeing IDS.

After six years of employment losses totaling more than 17,000 jobs, manufacturing employment in Wichita increased 2.7 percent, adding nearly 1,600 jobs in 2005. Projections for this year call for an additional 1.3 percent growth in employment, for a net gain of 800 jobs.

Supporting the employment growth in aviation manufacturing are increased deliveries and rising orders. In 2004 the deliveries for Boeing Commercial Airplanes totaled 285. In 2005 deliveries totaled 290, a 1.8 percent increase. This year the company is forecasting 395 deliveries, a 36 percent increase, and in 2007 the company is forecasting between 440 and 445 deliveries.<sup>12</sup>

Nationally, the General Aviation Manufacturing Association announced that deliveries in 2006 continued to improve over 2005, with billings up 39.7 percent and shipments up 34.1 percent. Shipments for the first quarter this year totaled 845 planes, a 34.1 percent increase over first quarter 2005.<sup>13</sup>

Despite the layoffs at Boeing IDS, employment in durable goods manufacturing should increase this year, adding about 1,000 jobs.

While the news is mostly positive for durable goods manufacturing, the same is not true for Wichita's non-durable goods manufacturing sector. In 2005 employment in this sector was down 4 percent for a net loss of 375 jobs. Another decline of 2.1 percent is expected this year for a net loss of 193 jobs.

Overall, employment gains in durable goods manufacturing, specifically in aviation, are enough to offset the employment losses in non-durable goods manufacturing. Durable goods should add about 1,000 jobs; non-durable goods should lose about 200 jobs, for a net increase of 800 manufacturing jobs in 2006.

### SERVICES

Performance among the service sectors varied substantially during 2005:

- The information sector lost 400 jobs for a net decrease of 6.3 percent.

- The finance sector lost 500 jobs for a net decrease of 4.1 percent.
- The professional and business services sector gained 100 jobs for a net increase of 0.4 percent.
- The other services sector gained 200 jobs for a net increase of 1.7 percent.
- The leisure and hospitality sector gained 400 jobs for a net increase of 1.6 percent.
- The education and healthcare services sector gained 1,100 jobs for a net increase of 2.9 percent.

In 2006 we are forecasting growth among service sector employment totaling approximately 2,200 jobs for a growth rate of 1.8 percent. Services are expected to continue to be a major contributor to job growth over the next five years.

In the Wichita area, most firms in the professional and business services sub-sector are small businesses, with temporary employment agencies, security service companies and call centers among the larger employers. Nonetheless, this sector is expecting strong employment growth. After a modest increase of 0.4 percent in 2005, the professional and business services sector should see employment gains of almost 500 jobs, a 1.9 percent increase in 2006. Among companies planning to hire in the sector is Infonxx, with plans to hire nearly 1,000 workers in 2006 and Airbus, which announced plans last year to increase its Wichita labor force. Most would regard Airbus as part of the manufacturing sector, but because its Wichita facility is engaged in engineering and design activities only, it is classified as an engineering firm and therefore is included in the professional and business services employment counts.

The educational and health care services sub-sector continued to add jobs in 2005 and is forecasted to add 1,000 jobs this year. Most of these job gains are expected in the health care sector, with the majority of job growth occurring outside of the hospital setting.

After three years of employment losses, the leisure and hospitality services sub-sector saw employment increases in 2004 and 2005 totaling 1,000 jobs. While still shy 600 jobs from its most recent 2000 employment peak, with 470 job gains expected in 2006 the industry is well on its way to fully recovering the jobs lost during the recession.

### NATURAL RESOURCES AND CONSTRUCTION

The natural resources and construction industry accounted for 5.5 percent of all wage and salary employment in the Wichita MSA in 2005. The industry saw an employment loss of 400 jobs in 2005. In 2004, total payroll for the industry was \$532.9 million and the average earnings per job totaled \$33,194.

In 2005, the residential construction sector slowed somewhat, with the value of inflation-adjusted new residential construction permits decreasing 6.5 percent compared to 2004. It was a

<sup>12</sup> Source: Boeing news releases, complete copies of which can be found on the company's home page at [www.boeing.com](http://www.boeing.com).

<sup>13</sup> Source: GAMA news releases, complete copies of which can be found on the GAMA home page at <http://www.gama.aero/home.php>.



slower year for the new commercial construction sector as well, with the value of inflation-adjusted new non-residential construction permits down 5.3 percent compared to 2004.

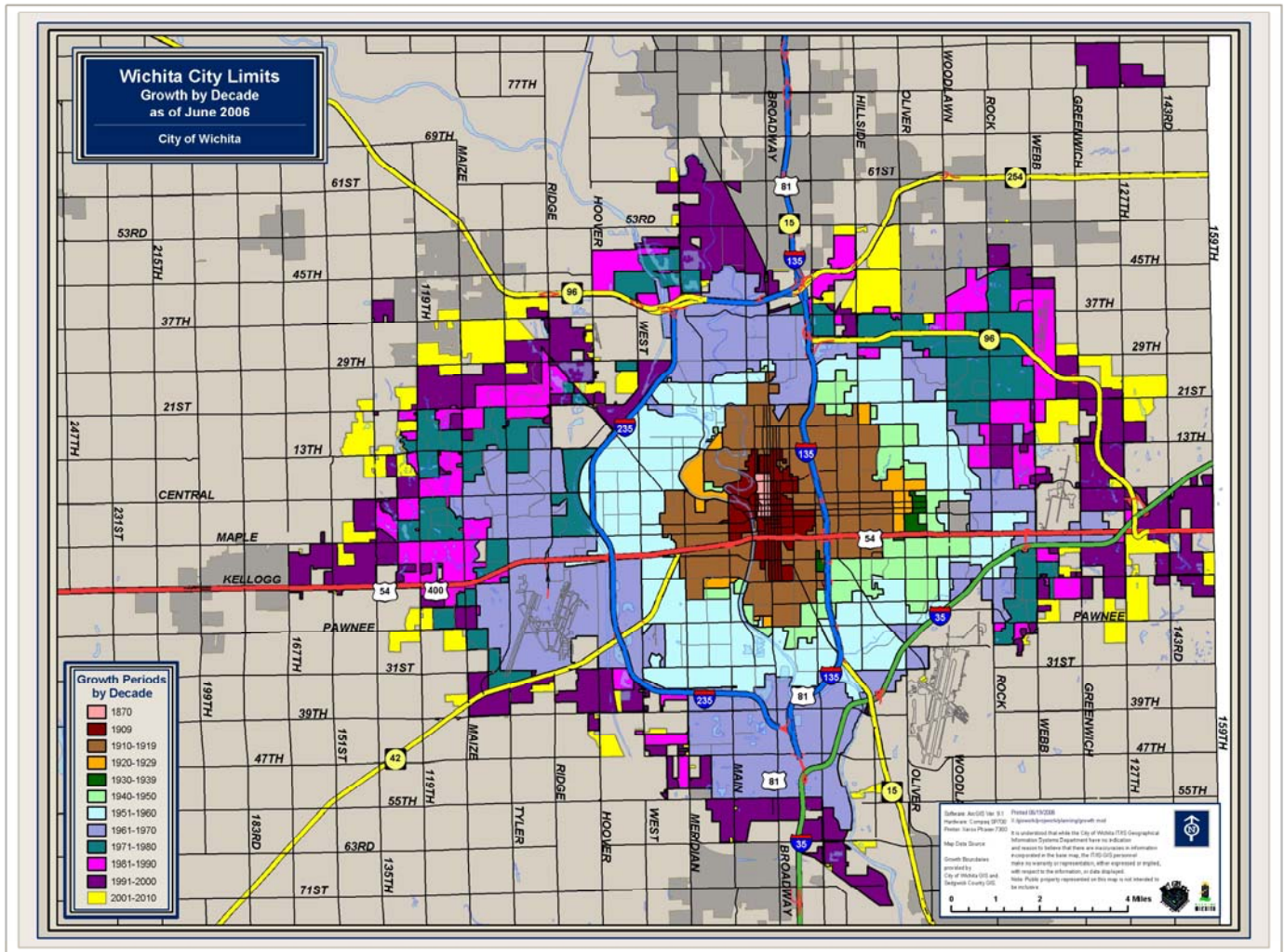
Although it has been a difficult year for some sectors of the construction industry, home sales continue to rise, up 11 percent in 2005 compared to 2004. Housing's boom has been a welcome surprise, given rising mortgage rates and the weakness elsewhere in the economy. As the Fed continues to raise interest rates, home sales, house price appreciation and ultimately housing construction will weaken. However, much of this slowdown is not expected in Wichita until mid-2007.



## WICHITA MAPS

The following maps provide an insight into the past and future of the boundaries of the City of Wichita.

The *Wichita City Limit: Growth by Decade* map illustrates juxtaposes decades of fast growth, such as the 1910s, 1950s, and 1960s, with periods of slower expansion in the 1920s and 1970s.





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